

AMENDED IN ASSEMBLY JUNE 14, 2000

**SENATE BILL**

**No. 1656**

**Introduced by ~~Committee on Budget and Fiscal Review~~  
Senator Alarcon**

February 22, 2000

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~~An act relating to housing and community development, and declaring the urgency thereof, to take effect—~~*An act to amend Sections 50840, 50841, and 50842 of, and to add Chapter 6 (commencing with Section 50650) to, and to repeal Chapter 3.6 (commencing with Section 50533) of, Part 2 of Division 31 of, the Health and Safety Code, relating to housing, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.*

LEGISLATIVE COUNSEL'S DIGEST

SB 1656, as amended, ~~Committee on Budget and Fiscal Review~~ Alarcon. ~~Housing and community development: Budget Act.~~

(1) Existing law contains various programs relating to housing assistance, including the Senior Citizens' Shared Housing Program, the California Self-Help Housing Program, and specified federal programs.

This bill would establish the CalHome Program, to be administered by the Department of Housing and Community Development, to provide funds to local public agencies or nonprofit corporations as either grants for programs that assist individual households or loans that assist multiunit development projects. This bill would also repeal the Senior Citizens' Shared Housing Program and state the intent that

*the CalHome Program take the place of the Senior Citizens' Shared Housing Program.*

*(2) Existing law creates the California Housing Trust Fund for deposit of certain bond proceeds and other revenues, and provides that the money in the fund is to be used for housing programs, as specified. Not less than 20% of the revenue deposited annually in the fund is required to be expended in rural areas, as defined.*

*This bill would continuously appropriate money in the fund for investment in securities that are eligible for investment of surplus state moneys, as specified. It would provide that all interest or other increment resulting from investment may only be expended, upon appropriation, for housing programs that serve lower or very low income households, and not less than 20% of any interest or other increment appropriated in any fiscal year shall be expended in rural areas. It would revise the definition of rural areas for this purpose. It would require any interest or other increment not appropriated for housing programs in the fiscal year succeeding its accrual to be deposited in the fund and to be no longer deemed interest or other increment for these purposes.*

~~*This bill would declare the intent of the Legislature to make the necessary statutory changes to implement the Budget Act of 2000 relative to housing and community development.*~~

*This bill would declare that it is to take effect immediately as an urgency statute.*

*Vote:  $\frac{2}{3}$ . Appropriation: ~~no~~ yes. Fiscal committee: yes. State-mandated local program: no.*

*The people of the State of California do enact as follows:*

- 1 ~~SECTION 1. — It is the intent of the Legislature in~~
- 2 *SECTION 1. Chapter 3.6 (commencing with Section*
- 3 *50533) of Part 2 of Division 31 of the Health and Safety*
- 4 *Code is repealed.*
- 5 *SEC. 2. Chapter 6 (commencing with Section 50650)*
- 6 *is added to Part 2 of Division 31 of the Health and Safety*
- 7 *Code, to read:*
- 8

CHAPTER 6. CALHOME PROGRAM

50650. The Legislature finds and declares as follows:

(a) An adequate supply of safe and affordable housing is the foundation for strong and sustainable communities. Owner occupied housing is a key housing resource, contributing to neighborhood stability as well as economic vitality.

(b) In California, homeownership is beyond the reach of a large segment of the population. There are also many homeowners who lack the resources to make necessary repairs to their homes, or who would welcome the opportunity to share them with suitable tenants.

(c) Reflecting California's diversity, there is a variety of proven approaches to the promotion of homeownership within the state. The purpose of the CalHome Program established by this chapter is to support existing homeownership programs aimed at lower and very low income households and operated by private nonprofit and local government agencies, and thereby to increase homeownership, encourage neighborhood revitalization and sustainable development, and maximize use of existing homes.

(d) The CalHome Program is intended to take the place of the Senior Citizens' Shared Housing Program established by Chapter 3.6 (commencing with Section 50533), which is repealed by the act enacting this chapter.

50650.1. This chapter shall be known and may be cited as the CalHome Program.

50650.2. The department shall administer this chapter.

50650.3. (a) Funds appropriated for purposes of this chapter shall be used to enable low- and very low-income households to become or remain homeowners. Funds shall be provided by the department to local public agencies or nonprofit corporations as either of the following:

(1) Grants for programs that assist individual households.

1 (2) Loans that assist development projects involving  
2 multiple homeownership units, including single-family  
3 subdivisions.

4 (b) Grant funds may be used for first-time homebuyer  
5 downpayment assistance, home rehabilitation,  
6 homebuyer counseling, home acquisition and  
7 rehabilitation, or self-help mortgage assistance programs,  
8 or for technical assistance for self-help and shared housing  
9 homeownership. Loan funds may be used for purchase of  
10 real property, site development, predevelopment, and  
11 construction period expenses incurred on  
12 homeownership development projects, and permanent  
13 financing for mutual housing or cooperative  
14 developments. Upon completion of construction, the  
15 department may convert project loans into grants for  
16 programs of assistance to individual homeowners.  
17 Financial assistance provided to individual households  
18 shall be in the form of deferred payment loans, repayable  
19 upon sale or transfer of the homes, when they cease to be  
20 owner-occupied, or upon the loan maturity date. All loan  
21 repayments shall be used for activities allowed under this  
22 section, and shall be governed by a reuse plan approved  
23 by the department. Those reuse plans may provide for  
24 loan servicing by the grant recipient or a third-party local  
25 government agency or nonprofit corporation.

26 50650.4. To be eligible to receive a grant or loan, local  
27 public agencies or nonprofit corporations shall  
28 demonstrate sufficient organizational stability and  
29 capacity to carry out the activity for which they are  
30 requesting funds, including, where applicable, the  
31 capacity to manage a portfolio of individual loans over an  
32 extended time period. Capacity may be demonstrated by  
33 substantial successful experience performing similar  
34 activities, or through other means acceptable to the  
35 department. In allocating funds, the department shall  
36 utilize a competitive application process, using weighted  
37 evaluation criteria, including, but not limited to, (a) the  
38 extent that the program or project utilizes volunteer or  
39 self-help labor, trains youth in construction skills, or  
40 involves community participation, and (b) whether the

1 program or project contributes toward community  
2 revitalization. To the extent feasible, the application  
3 process shall ensure a reasonable geographic distribution  
4 of funds.

5 50650.5. For the purposes of this chapter, mutual  
6 housing and cooperative housing shall be deemed to be  
7 forms of homeownership. For these project types: (a)  
8 program funds shall be used for project development  
9 costs only; (b) the department shall enter into a  
10 regulatory agreement limiting occupant incomes,  
11 occupancy charges, and share purchase terms for 55  
12 years; and (c) notwithstanding Section 50650.3, program  
13 assistance shall be provided in the form of a deferred  
14 payment loan.

15 50650.6. The department may use up to 5 percent of  
16 the funds appropriated for the purposes of this chapter  
17 for its costs in administering the program.

18 50650.7. For appropriations of fifteen million dollars  
19 (\$15,000,000) or less, the department may administer the  
20 funds using guidelines that shall not be subject to the  
21 Administrative Procedure Act (Chapter 3.5  
22 (commencing with Section 11340) of Part 1 of Title 2 of  
23 the Government Code). If an appropriation exceeds that  
24 amount, the department may administer the funds using  
25 guidelines for 24 months, during which time those  
26 guidelines shall not be subject to the Administrative  
27 Procedure Act. The guidelines and any regulations  
28 governing the CalHome Program shall include, among  
29 other things, loan terms and limits, underwriting  
30 standards, home price limits, application procedures and  
31 selection criteria, loan and grant documentation  
32 requirements, and monitoring requirements.

33 SEC. 3. Section 50840 of the Health and Safety Code  
34 is amended to read:

35 50840. (a) The Legislature hereby finds and declares  
36 ~~that current economic conditions, federal housing~~  
37 ~~policies, and declining resources on the federal and state~~  
38 ~~level adversely affect the ability of lower and very low~~  
39 ~~income households to obtain adequate and affordable~~  
40 ~~housing.~~

~~The Legislature further finds that increasing rents result in hardships for those least able to afford housing. Approximately 1,600,000 lower income renters, which comprise over 18 percent of all households, pay more than 25 percent of their income for housing and nearly 1,100,000 pay more than 35 percent of their income for housing.~~

~~The Legislature further finds that many elderly renters pay excessive amounts of their income for housing. Over 65 percent of all elderly renter households pay more than 25 percent of their income for housing and over one-quarter pay more than 50 percent of their income for housing.~~

~~The Legislature further finds that over 650,000 persons, which is more than 7 percent of all households, live in overcrowded conditions which are threatening to their health and safety.~~

~~The Legislature declares that it is in the public interest to establish a housing trust fund to assist lower and very low income households in meeting their housing needs. all of the following:~~

*(1) California is experiencing a severe housing shortage that compounds itself further each year. While it is estimated that 250,000 new homes are needed each year to keep up with demand, only 140,000 building permits for new residential housing were issued in 1999. Moreover, the average number of residential building permits issued over the last seven years is only 105,000 new units per year.*

*(2) The shortage in housing supply has led to skyrocketing home sale and rental prices, which have made housing unaffordable to many Californians. Seven of the nation's 10 least affordable metropolitan areas for housing are in California. More than 35 percent of renter households experience an extreme housing cost burden, which has been defined as paying more than 50 percent of their income for housing.*

*(3) Long-term strategies are needed to address this ongoing deficit in new home production and to meet the state's housing needs.*

1 (4) In addition to helping meet the immediate need  
2 for housing, the state will always have a role to play in  
3 assisting in the provision of housing for families unable to  
4 afford market-rate rents.

5 (5) A permanent source of financing is needed to fulfill  
6 this ongoing need for state housing assistance.

7 (6) A housing trust fund would provide a permanent  
8 source of financing to be used solely to fund housing  
9 programs that serve low- and very low income  
10 households.

11 (b) (1) It is the intent of the Legislature that the  
12 principal in the California Housing Trust Fund shall not  
13 be spent, but rather invested as an endowment, and that  
14 the return on this investment be used to fund programs  
15 that meet the housing needs of lower and very low  
16 income households.

17 (2) It is the intent of the Legislature to make a  
18 significant appropriation to the California Housing Trust  
19 Fund in the 2001–02 fiscal year to ensure that there are  
20 sufficient ongoing resources to provide for the housing  
21 needs of lower income households.

22 SEC. 4. Section 50841 of the Health and Safety Code  
23 is amended to read:

24 50841. (a) There is hereby created in the State  
25 Treasury the California Housing Trust Fund—~~which shall~~  
26 ~~only be available for the exclusive trust purposes specified~~  
27 ~~in Section 50842 upon appropriation by the Legislature.~~  
28 Notwithstanding Section 13340 of the Government Code,  
29 all money in the fund is continuously appropriated for the  
30 purposes of ~~Section 50842 investment in a manner~~  
31 ~~calculated to deliver the greatest rate of return consistent~~  
32 ~~with the requirements of Section 16430 of the~~  
33 ~~Government Code. There shall be paid into the fund any~~  
34 ~~fees, repayments, or reimbursements received by the~~  
35 ~~department on account of a loan or grant made or to be~~  
36 ~~made with moneys derived from the California Housing~~  
37 ~~Trust Fund, unless the loan or grant was made from~~  
38 ~~another fund or account and conflicting provisions of law~~  
39 ~~require those moneys to be deposited into that other fund~~  
40 ~~or account. The California Housing Trust Fund shall also~~



1 ~~consist of bond proceeds or any other moneys which may~~  
2 ~~be made available to the fund for the purposes of the fund~~  
3 ~~from any other source or sources.~~

4 All

5 (b) All interest or other increment resulting from  
6 investment or deposit of moneys in the fund shall be  
7 deposited in the fund, notwithstanding Section 16305.7 of  
8 the Government Code. ~~Except as otherwise provided by~~  
9 ~~this chapter, or unless specifically appropriated by the~~  
10 ~~Legislature to other funds established pursuant to this~~  
11 ~~division, moneys in the fund shall not be subject to~~  
12 ~~transfer to any other fund pursuant to Part 2~~  
13 ~~(commencing with Section 16300) of Division 4 of Title~~  
14 ~~2 of the Government Code, except the Surplus Money~~  
15 ~~Investment Fund.~~

16 When utilizing moneys appropriated from the  
17 California Housing Trust Fund, the department shall give  
18 priority to projects that cannot be financed from bond  
19 proceeds, or that complement capital expenditures from  
20 bond proceeds. *Except as provided in Section 50842, no*  
21 *money in the fund shall be spent, loaned, transferred, or*  
22 *otherwise removed from the fund.*

23 SEC. 5. Section 50842 of the Health and Safety Code  
24 is amended to read:

25 50842. (a) ~~Revenues deposited~~ *All interest or other*  
26 *increment resulting from any investment of money in the*  
27 *California Housing Trust Fund may only be expended,*  
28 *upon appropriation by the Legislature, after allocation to*  
29 *the Treasurer of an amount not to exceed one-half of 1*  
30 *percent of any interest and other increment to cover the*  
31 *actual cost of administering those investments, for*  
32 *housing programs or those portions of housing programs*  
33 *authorized by law which that serve lower and very low*  
34 *income households, as defined in Sections 50079.5 and*  
35 *50105, respectively.*

36 Not

37 (b) *Not less than 20 percent of the revenues deposited*  
38 *annually in the fund any interest or other increment*  
39 *appropriated by the Legislature in any fiscal year from*  
40 *the California Housing Trust Fund shall be expended in*



1 rural areas, as defined by Section 50101, and one-fourth of  
2 the funds committed to rural areas in fiscal years 1986-87  
3 and 1987-88 shall be distributed to the Farm Labor  
4 Housing Rehabilitation Loan Account established by  
5 Section 50854 50199.21.

6 (c) Any interest or other increment not appropriated  
7 by the Legislature for the purpose described in  
8 subdivision (a) in the fiscal year succeeding its accrual  
9 shall be deposited in the California Housing Trust Fund  
10 and shall no longer be deemed interest or other  
11 increment for the purposes of this section.

12 SEC. 6. This act is an urgency statute necessary for  
13 the immediate preservation of the public peace, health,  
14 or safety within the meaning of Article IV of the  
15 Constitution and shall go into immediate effect. The facts  
16 constituting the necessity are:

17 In order to preserve existing homeownership programs  
18 aimed at low- and very low-income households and to  
19 ensure that there are sufficient ongoing resources to  
20 provide for the housing needs of lower income  
21 households, it is necessary that this act take effect  
22 immediately.

23 enacting this act to make the necessary statutory changes  
24 to implement the Budget Act of 2000 relative to housing  
25 and community development.

26 SEC. 2. This act is an urgency statute necessary for the  
27 immediate preservation of the public peace, health, or  
28 safety within the meaning of Article IV of the  
29 Constitution and shall go into immediate effect. The facts  
30 constituting the necessity are:

31 In order to implement the Budget Act of 2000 with  
32 respect to housing and community development, it is  
33 necessary that this act take effect immediately.